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INFLUENCE OF FINANCIAL LITERACY ON GROWTH OF START-UP BUSINESSES IN MOMBASA COUNTY

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ABSTRACT

The general objective of this study was to find out the influence of financial literacy on growth of start-up businesses in Mombasa County. The specific objectives were financial planning literacy, debt management literacy, financial reporting literacy, cash management literacy and their influence on growth of starts-up businesses in Mombasa County. The study employed mixed research design. The target population was 219 start-up businesses in Mombasa County from various business activities or industries. The sample size was 142. A pilot study was carried out to refine the instrument. Secondary data was collected from both published and unpublished records. Data screening was done to identify any missing data and it was further tested for reliability. Reliability was tested using Cronbach's Alpha. Inferential statistics such as Pearson's correlation and multiple regression analysis was used for further analysis. The quality and consistency of the survey was further assessed using Cronbach's alpha. Data analysis was performed on a computer using Statistical Package for Social Science (SPSS Version 23) for Windows. The results findings showed that there is strong relationship and positive significant level between growth of start-ups business and independent variables financial planning, debt management, financial reporting and cash management. The overall model was significant and that financial planning, debt management, financial reporting and cash management affects growth of start-up business in Mombasa County. The study concluded that majority of the respondents agreed that financial planning, financial reporting, debt management and cash management have huge influence on growth of starts-up SMES business. The study also concluded that most of the results showed a high selection for agree and strongly agree as presented by likert scale. The study further recommended financial institutions such as MFIs to educate start-up SMEs in informal sector the basic financial concepts in order to boost their growth and enable them to expand their business. Financial institutions can play a very important role in financial literacy due their frequent interactions with start-up SMEs in financial matters. The study recommended that awareness be created to the start-up SMEs on the importance of participating in financial literacy training program to quip the staff with financial literacy skills.

Key Words: *Financial Planning Literacy, Debt Management Literacy, Financial Reporting Literacy, Cash Management Literacy*

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INTRODUCTION

The principle of Startups is correlated to the concept of innovation and progression. Small businesses have created more employment than large businesses have. Almost half the United States payroll is provided by the small businesses (Dennis, 2013). The impact of the small businesses is seen in the number of people they employ (Petty 2017). This goes to show how startup businesses are important to an economy. Thus startups can be viewed as facilitators for broad-based growth in competition, entrepreneurship and offer economy-wide benefits such as innovation and aggregate productivity growth (Tarfasa, Ferede, Kebede, & Behailu, 2016).

Startups represent 90% of all businesses in the European Union and are often referred to as the backbone of the European economy providing a potential source for jobs and economic growth. Governments have a lot of interest in startup up MSMEs as they generate two out of every three jobs and in 2013, over 21 million MSMEs provided almost 90 million jobs throughout EU (EUR_Lex, 2016). In the Caribbean, the Micro, Small and Medium Enterprises (MSME) sector is also a substantial contributor to economic and social development (Caribbean Development Bank, 2016).

Omar, Namusonge and Sakwa (2017) pointed out a new approach to substantiating growth. These authors point out that several determinants of firm growth have been suggested and researchers have been unable to achieve a consensus regarding the factors leading to firm growth. The commonly used measures of firm growth include but not limited to sales growth, profit, return on equity, return on assets, and entrepreneurs' perceived growth relative to their competitors in terms of increase in company's value. Business growth can be measured in terms of sales, number of employees, value added, and complexity of the product line, production technology or the number of business units (branches) in different locations. This study however will also include but not limited to the survival in duration of years and also the social benefits not quantative it can provide to citizens. For instance jobs created in the long run.

Financial literacy has become essential in the running of businesses and operations of organizations in the complex and dynamic environment today. Atkinson and Messy (2012), in their views suggest that governments around the world are interested in finding effective approaches of improving financial literacy of their populations through developing strategies for financial education with the main aim of providing various learning opportunities. Financial education as defined by (Ani, 2016) whose research is on global access to financial literacy on businesses opines that it is a process of developing abilities of people to facilitate making decisions that are correct and to manage finances successfully.

Many countries have developed strategies for the implementation of financial education to improve financial literacy of their population as it is perceived as a life skill necessary for intelligent financial conduct in modern life and an important basis for the economic and financial stability of society and the state (Tali, 2016). The Standard & Poor's Ratings Services Global Financial Literacy Survey (S&P Global Fin Lit Survey) conducted a survey across a wide array of countries. They found that around 3.5 billion adults globally, most of them in developing economies, lack an understanding of basic financial concepts.

Omar *et al.* (2017 in his study of influence of financial management Practices on the growth of family Businesses in Kenya captures a very important notion in his conceptualization of financial management Practices .He defends the role of financial management by pointing out the fact that Financial management is one of the several functional areas of management but it is the center to the success of any business. Inefficient financial management, combined with the uncertainty of the business environment often led business enterprises to serious problems. Careless financial management practices are the main cause of failure for business enterprises in most

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developing countries. Regardless of business led by owner or hired manager, if the financial decisions are wrong, profitability of the business will be adversely affected.

Growth of Start-Up Businesses is defined as a relative change in sales, assets, employment, profits and productivity (Allinson 2016). According to Penrose (1959), depending on business age, size and industry business growth varies extensively. Barkham (2016) argues, in order measure business, sales growth is an achievable way compared with some other methods and is much more likely to be recorded. Sales are often viewed as a key motivator by entrepreneurs and an indicator of performance rather than for example, job generation. Sales are a good indicator of size and, therefore, growth. Sales may also be considered a precise indicator of how a firm is competing relative to their market. Growth can be vertical or horizontal. Vertical growth is the graduation and transformation into more modern small and medium businesses while horizontal growth refers to the formation of more businesses at the same level and employs the same number of staff per business set up (Carter, Ennis and Webb, 2012).

Wang, Watkins, Harris and Spicer (2010), on factors hindering growth of innovation startups in the USA Silicon Valley claims that a large number of small scale enterprises falls short of business managing skills. Deficiency of necessary skills in performing business transactions is a factor that hinders the businesses ability to partake risks. If measures geared towards ensuring that the small businesses entrepreneurs gain access to funding and necessary managing skills needed to cope with changing market demands are not implemented, it is highly predicted that their growth will gradually be halted (World Bank, 2008).

The 2014 World Bank Global Development Report (World Bank, 2014) had financial inclusion as main theme. The report showed that SMEs and particularly informal businesses or SMEs in emerging markets face significant financial management constraints that undermine their contribution to employment, productivity growth and innovation. The report suggests that financial sector practitioners saw financial education as the most effective means of addressing financial exclusion for businesses. The call for financial education is not a new agenda, yet the financial crisis and its aftermath have renewed interests of practitioners and scholars for greater financial inclusion aimed at improving the financial capability of entrepreneurs.

Njoroge (2013) argues that financial management education may not be the only determinant of growth as there are also cases of illiterate persons running successful enterprises in Kenya especially in informal sector, many Jua Kali and farming entrepreneurs are financially illiterate 28 and yet they run very successful business. A clear understanding of factors that greatly influence the growth of business would ensure that they are measured and enhanced to promote the growth of business. More research is also needed to find out whether the financially illiterate entrepreneurs would be better if they had financial literacy.

In a study to investigate the effect of business development services on the performance of Small Scale enterprises in Kisii Town Osinde, Iravo, Munene, & Omaiyo (2013) found that the entrepreneurs who received business training services recorded an improvement in the growth of sales and market shares. 83.3% of MSE managers who always attended training recorded an improvement in their businesses in terms of growth in sales and profits as opposed to only 41.2% of those who never attended training. This study focused on the financial literacy skills of the entrepreneur and how it affected the growth of MSE businesses in Kakamega Central Sub County. Growth was measured in terms of sales revenue, accumulated assets and number of employees

Local studies further indicate that there is a strong association between financial literacy, the ability to make good financial decisions, household well-being and business survival (Njoroge, 2014; Turyahebwa *et al.*, 2013; Lusardi & Mitchell, 2013;

FSD, 2009). Sound financial management is critical to the survival and management of MSEs because financial literacy skills empower and educate investors so that they are able to evaluate financial products and make informed decisions, facilitates proper debt management which improves the credit worthiness of potential borrowers (MasterCard, 2011).

Statement of the Problem

The growing recognition of the importance of Small businesses in developing countries is not by choice but out of necessity in order to add value to the economies by creating jobs, enhancing income, strengthening purchasing power among others. The government of Kenya has recognized the importance of Small businesses in employment generation and poverty eradication in the country. This led to the development and promotion of policies that are there to support the growth of the sector like the Kenya Vision 2030 that further rejuvenated policy efforts targeted at growth of Small businesses s through skills development and access to financial services (GOK, 2017).

Small businesses have been of great benefit not only to the economy but also to the society at large. In Nairobi County, SMEs employs over 4.6 million people which is over 30% of all employment and accounts for approximately 75% of all businesses. The sector also contributes 18.4% of the GDP and accounts for 87% of the new job creation (Kibeu, 2015). In Kibera, the Small businesses are a source of income to many individuals.

Micro enterprises find it difficult to graduate into medium and large-scale enterprises, thus creating the “missing middle” phenomenon. Consequently, this has resulted to a weak base for industrial take-off and sustainable development in Kenya (KIPPRA, 2012). This means that there is no chance financial literacy is essential in helping individuals to identify vital financial issues and behaviors that support effective management of financial resources (Hilgert & Hogath, 2013). It enables one to have the knowledge of critical financial concepts for instance, types of interests, risks and returns of investments, diversification of investments, among others.

The high failure rate has also been attributed to low financial literacy by the managers who lack financial capabilities of analyzing and preparing financial statements. The owners of these businesses do not have prerequisite financial education as part of their skill sets also most are inept in financial behavior whereby financial behavior is vital to the success of the business which results to poor planning, limited access to finance and poor financial management (Oluoch, 2014; Agyei, 2014; Njoroge, 2012). Fatoki (2014) concurs with these assertions and also adds that the difficult financial decisions that entrepreneurs make in their personal or business finances could also be a contributing factor.

Mounting evidence reveals that apart from access to capital and an enabling environment, the success of MSEs largely depends on the financial management skills of the managers. Individuals with financial literacy skills tend to make better financial decisions with fewer management mistakes than their counterparts who are financially illiterate (Njoroge, 2014; Fatoki, 2014). Fatoki (2014) citing United States Agency for International Development (USAID, 2009) defines a financially literate MSE owner/manager as “someone who knows the most suitable financing and financial management options for his/her business at the various growth stages, knows where to obtain the most suitable products and services and interacts with confidence with the suppliers of these products and services. He/she is familiar with the legal and regulatory framework and his/her rights and recourse options.” Therefore financial literacy is simply the ability of an individual to use knowledge and skills to manage financial resources effectively.

Locally, Sabana, (2014) investigated the relationship between entrepreneur financial literacy, financial access, transaction costs and performance of micro enterprises in Nairobi County, Kenya. The study established that entrepreneur financial literacy had a statistically significant influence on enterprise performance. Mwambia (2014) studied the effect of financial literacy on financial returns of miraa farmers The study results were consistent with those of Lusardi and Mitchell (2011) who also found that financial literacy had significant effect on household income .Similarly Mwaniki (2014) studied the influence of financial literacy training on financial performance of women self-help groups though the financial literacy and found out that financial literacy enhanced the record keeping and debt management among the women. Thus there exists a gap as most of these studies dwelt on financial performance of these organizations without much emphasis on growth. Thus the study determined the Influence of Financial Literacy factors on Growth of Start-up Businesses in Mombasa County.

Objectives of the Study

The general objective of the study was to determine the Influence of Financial Literacy on Growth of Start-up Businesses in Mombasa County. The specific objectives were;

- To establish the influence of financial planning literacy on Growth of Start-up SMES Businesses in Mombasa County
- To determine the influence of debt management literacy on Growth of Start-up SMES Businesses in Mombasa County
- To examine the influence of financial reporting literacy on Growth of Start-up SMES Businesses in Mombasa County
- To establish the influence of Cash Management literacy on Growth of Start-up SMES Businesses in Mombasa County.

This study was guided by the following null hypothesis;

- **Ho_1:** Financial planning literacy has no statistically significant relationship with growth of start –up SMES Businesses in Mombasa County.
- **Ho_2:** Debt management literacy has no statistically significant relationship with growth of start- up SMES Businesses in Mombasa County.
- **Ho_3:** Financial reporting literacy has no statistically significant relationship with growth of start- up SMES Businesses in Mombasa County
- **Ho_4:** Cash Management literacy has no statistically significant relationship with growth of start – up SMES businesses in Mombasa County.

LITERATURE REVIEW

Exchange Theory

Exchange theory as proposed by Robson and Ladner (2016) holds that interpersonal, interactional, procedural and informational factors are linked to literacy skills. Hence, the higher the interactions, the higher the level of literacy the individual will have. Lusardi and Mitchell (2008) also supported this theory by their findings which indicated that financial literacy is higher among those who are working, and in some countries those who are self-employed as compared to those who are not working.

Therefore the difference in literacy levels among individuals as shown in this theory is as a result of exchange of information between the more literate and the less literate, financial education that may be offered in the workplace and the skills acquired on the job. As a result, in order for one to be more financially literate, they have to increase their level of interactions with other personnel. According to this theory, the financial literacy of the SME owners will be more if they operate their businesses more and also increase their interactions. This will not only inform them of financial systems but also the trends and changes in the systems. This theory's proposition to the study is that it tends to explain the difference in financial literacy among people and it also suggests on how to improve the literacy levels.

Transaction Cost Theory

Transaction theory as described by Polski et al, (2001) holds that organizations incur costs as they

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acquire, configure and utilize resources. This transaction costs reflect the costs of economic or organization both outside the firm and inside the firm. In addition to that, they are means by which one can measure the efficiency of different institutional designs in achieving economic outcomes in particular environments (Polski et al, 2001). In order for an individual to effectively manage transactions, they ought to have financial management skills. Using the transaction theory framework, lack of financial skills will hereafter cause an increase in transaction costs, influencing negatively the performance. It is the financial literacy skills which will enable the owner of the firm to identify transactions which will increase the financial performance of the firm. Also, the management will be able to avoid in appropriate loans and debt. This will be enhanced by proper record keeping of any financial transaction taking place (Polski et al, 2001).

This theory is highly beneficial to the study in that, most SME owners in Kibera slum, due to their financial illiteracy, do not properly manage their transactions. This is due to their belief that they will 'remember' all the transactions and also transactions involving low amounts of money have no need to be monitored. This tends not to be true as it affects the financial performance for example through overspending, and also bad lending habits. Hence adoption of this theory will be recommended.

Information Asymmetry Theory

Lusardi and Mitchell (2013) confirmed that the theoretical literature on financial literacy has made strides in recent years by indigenizing the process of financial knowledge acquisition, generating predictions that can be tested empirically, and offering a coherent way to evaluate policy options. Moreover, these models offer insights into how policymakers might enhance welfare by enhancing young workers' endowment of financial knowledge.

Literature on asymmetry of information indicates that borrowers have an informational advantage over lenders since borrowers have more information about the investment projects they want to undertake leading to moral hazard and adverse selection. In the case where the funds provider is the firm, it will have more information about the firm than new equity holders; thus new equity holders will expect a higher rate of return on their investments, implying that it will cost the firm more to issue fresh equity shares than using internal funds. High information asymmetry therefore translates to a high cost of capital (Ayuma, Namusonge & Iravo, 2014).

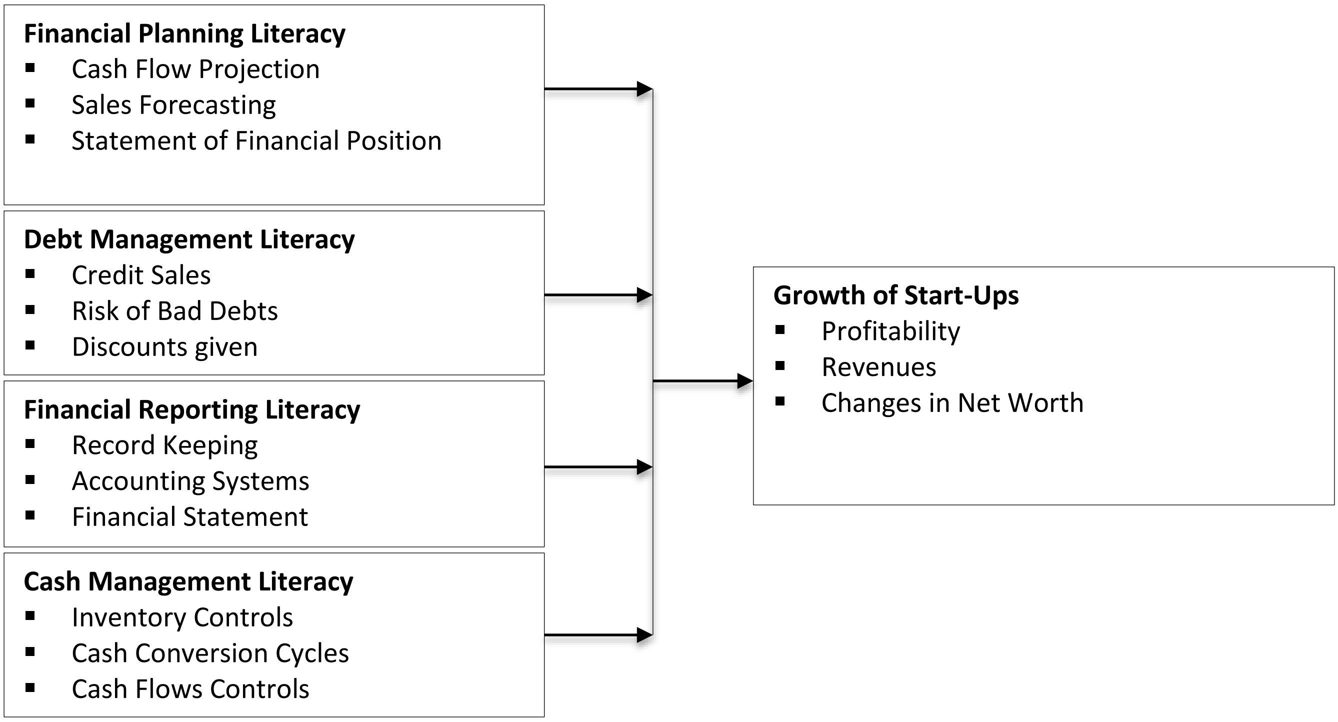
In their seminal paper, Steijvers and Mervi (2010) showed that Information asymmetry is prevalent if a firm knows the expected risk and return of their project, while the bank only knows the average expected return and risk of an average project in the economy. The presence of asymmetric information may give rise to credit rationing due to adverse selection and moral hazard problems. Small family firms are especially vulnerable to information asymmetries since they are not followed by analysts and lack any audited financial statements. Moreover, they are not always willing to release any information to financial institutions since it is a time-consuming, costly occupation. Consequently, small private family firms may cope with difficulties in obtaining external debt finance.

Cash Management Theory

Omar (2017), pointed out that there is need for proper management of cash, since it is the most important current asset for the operation of any business. The firm should keep sufficient cash, neither more or less. Cash shortage will disrupt the firms operations, while excessive cash will simply remain idle, without contributing anything towards the firm's profitability. Cash management plays a critical role in the growth of SMES businesses in the Kenyan economy.

Omar (2017), explained the treatment of cash management problem by Baumol in 1952. Baumol treated cash management problem as an inventory management problem where he applied techniques developed for inventory optimization to the problem of covering transactions demand for cash.

Having optimal cash balance basically involves a trade-off between the opportunity costs of holding too much cash and the transaction costs of holding too little cash. The Baumol model can be used to determine the target cash balance that a firm should hold at any given time. The optimal cash balance is found where the opportunity costs equal the trading costs. Although the model is simple to use and understand, it might be difficult to accurately predict cash required over future periods as the model assumes that firm faces a constant demand for cash. The model provides no allowance for a buffer of cash and that if company run out of cash, it could be expensive and damaging to the business and that the major limitation of the Baumol model is that it does not allow the cash flows to fluctuate. In practice, firms does not use their cash balances uniformly neither are they able to predict daily cash inflow and outflows.



Independent Variables **Dependent Variables**

Figure 1: Conceptual Framework

Empirical Review

Lusardi and Mitchelle (2014) in their study on "the economic importance of financial literacy; theory and Evidence," demonstrated that low levels of financial knowledge are pervasive, suggesting that it will be quite challenging to provide the tools to help people function more effectively in complex financial and credit markets requiring sophisticated financial decision making. While research in this field continues to spread, it seems clear that there are likely to be important benefits of greater financial knowledge, including saving and investment decisions, better debt management, more retirement planning, higher participation in the stock market, and greater wealth accumulation. Though it is challenging to establish a causal link between financial literacy and economic behavior, both instrumental variables and experimental approaches suggest that financial literacy plays a role in influencing financial decision making, and the causality goes from knowledge to behavior.

Sabana, (2014) investigated the relationship between entrepreneur financial literacy, financial access, transaction costs and performance of micro enterprises in Nairobi County, Kenya. The study established that entrepreneur financial literacy had a statistically significant influence on enterprise performance. Mwambia (2014) studied the effect of financial literacy on financial returns of miraa farmers The study results were consistent with those of Lusardi and Mitchell (2011) who also found that financial literacy had significant effect on household income .Similarly Mwaniki (2014) studied the influence of financial literacy training on financial performance of women self-help groups though the financial literacy and found out that financial literacy enhanced the record keeping and debt management among the women.

Some studies however fail to establish the relationship between financial literacy on transaction costs and performance of small and medium enterprises. This is showed by a study conducted by Hoseini et al, (2012) on transaction costs of obtaining credit in rural Iran. Data was collected using observations, questionnaires and survey design. Simple linear regression was used to analyze the data. The study established that the transaction costs of receiving a loan are an equivalent to nine percent of the total loan size. The study also revealed that the contractual form, loan size, distances and borrower peculiarities were important determinants of transaction costs and not financial literacy.

Awais, Laber, Rasheed and Khursheed (2016) pointed out that financial literacy can be taken as mathematical capability and the know-how of financial interpretation. They explain that financial literacy is high for people having age of between 50 and 60 years, finance and accounting professionals, business and owners of firms, and university or college graduates. Literacy of financial education can also described as the capability of individuals to go for financial decisions by keeping in view their own best short-term and long-term interests. It is evident that financial experience leads towards financial knowledge, creating awareness for self-education or make the financial literacy programs more significant. Hence, literacy can also be enhanced by the people who have enough resources and utilize these resources to obtain financial information for implying better outcomes from investment decisions. Wealthier households spend more money to get access to financial information.

METHODOLOGY

In this study, the descriptive research design was used. The population relevant in this study was Start-up Businesses in Mombasa County) that were duly registered by the county government of Mombasa as such the target population was 219 duly registered startups by the county government of Mombasa for the last three years. The sampling frame of the study consisted of all starts-up businesses registered in Mombasa County. This study adopted random sampling technique, where sampling population members were divided into homogeneous subgroups called strata before sampling. The data collection instrument used was closed questionnaire which was designed using the study variables. The collected data was analyzed quantitatively and qualitatively. Descriptive and inferential statistics was done using SPSS version 25 and specifically multiple regression model was applied.

FINDINGS

Descriptive Analysis

The objective of the study was to establish the extent to which financial literacy affect start-up businesses growth in Mombasa County. The respondents were required to do this on a 5 point Likert scale where 1 represented Strongly disagree while 5 represented Strongly agree. The following subsections discussed the results.

Financial Planning

The respondents were required to indicate the extent to financial planning influence growth of starts-up businesses in Mombasa County. The results were displayed in Table 1.

Table 1: Financial Planning

	N	Mean	Std. Deviation
Availability of financial information leads to proper planning	105	4.51	.502
Financial planning provides a technical basis to evaluate the past and projected performance of our firm	105	4.66	.663
Sales forecasting plays a significant part in any given business	105	4.33	.957
Statement of financial position helps in financial planning	105	4.51	.606
Entrepreneurs rely on diverse source of information	105	4.81	.395

From the results in table 1, majority of the respondents strong agreed that financial planning provided a technical basis to evaluate the past and projected performance of our firm having mean score of 4.66 and standard deviation of 0.663. The results implicated that financial planning is very crucial when it comes to technical information for the projection of the business financial information. Most of the respondents agreed that sales forecasting plays a significant part in any given business having a mean of 4.33 and standard deviation of 0.957 implication of higher response rate. Majority of the respondents strongly agreed that entrepreneurs rely on diverse source of information which helps them in projection of the financial information and avenues they should be able to articulate with a mean score of 4.81 and standard deviation of 0.395. Most of the respondents strongly agreed that statement of financial position helps in financial planning with a mean score of 4.51 and standard deviation of 0.606. Availability of financial information leads to proper planning for the growth of start-ups SMES business having a mean of 4.51 and standard deviation of 0.502.

Debt Management

The study sought to evaluate the influence of debt management on growth of start-ups SMES business in Mombasa County. The findings were presented in Table 2.

Table 2: Debt Management

	N	Mean	Std. Deviation
Risk of bad debts may lead to collapse of the business	105	4.56	.634
Having more credit sales may lead to debt challenges	105	4.77	.422
Bad debts significantly influence our overhead expenses	105	4.59	.646
We have proper cash payment avenues in place which leads to higher returns	105	4.51	.667
We have established proper debt management system that leads to high returns	105	4.58	.662

Based on the results in table 2, most of the respondents strongly agreed that risk of bad debts may lead to collapse of the business having mean score of 4.56 and standard deviation of 0.634. The findings implicated that business owners have to put in place avenues that may control bad debts in their business. Business having more credit sales may lead to debt challenges having a mean of 4.77 and standard deviation of 0.422 where majority of the respondents strongly agreed with this statement. Majority of the respondents strongly agreed that bad debts significantly influence the overhead expenses having mean score of 4.59 and standard deviation of 0.646. Most of the respondents strongly agreed that they hadproper cash payment avenues in place which led to higher returns having mean of 4.51 and standard deviation of 0.667. The results replicated higher response rate. Majority of the respondents strongly agreed that they had established proper debt management system that led to high returns having a mean of 4.58 and standard deviation of 0.662.

Financial Reporting

The study sought to determine the influence of financial reporting on growth of start-ups business in Mombasa County. The findings were presented in Table 3.

Table 3: Financial Reporting

	N	Mean	Std. Deviation
Financial reporting literacy is the entrepreneurs roadmap to a successful enterprise	105	4.90	.308
Record keeping is an important accounting process that involves recording of all business transactions for sustaining and expanding a business	105	4.75	.434
Enterprises require records to be used by managers as guides for routine action decision making and formulation of policies	105	4.80	.402
Financial reporting literacy has become essential in the running of business and operations of organizations in the complex and dynamic environment today	105	4.32	.714
Financial reporting literacy helps to better financial decisions with fewer management mistakes than their counterparts who are financially illiterate	105	4.75	.533

From the results, majority of the respondents strongly agreed that financial reporting literacy is the entrepreneur’s roadmap to a successful enterprise having mean score of 4.90 and standard deviation of 0.308. Most of the respondents strongly agreed that record keeping is an important accounting process that involves recording of all business transactions for sustaining and expanding a business with mean score of 4.75 and standard deviation of 0.434. Majority of the respondents strongly agreed that enterprises required records to be used by managers as guides for routine action decision making and formulation of policies having mean of 4.80 and standard deviation of 0.402. The results replicated that recording keeping is very essential in any financial reporting as it facilitates to project the growth of the business. Financial reporting literacy has become essential in the running of business and operations of organizations in the complex and dynamic environment today where respondents agreed with the opinion having mean score of 4.32 and standard deviation of 0.714. Majority of the respondents strongly agreed that financial reporting literacy helps to better financial decisions with fewer management mistakes than their counterparts who are financially illiterate having mean of 4.75 and standard deviation of 0.533.

Cash Management

The study sought to establish the influence of cash management on the growth of start-up business in Mombasa County. The findings are shown in Table 4.

Table 4: Cash Management

	N	Mean	Std. Deviation
Cash management helps the organization in planning and controlling of the business, cash flows within the business	105	4.61	.490
Cash management is fundamental to every business that desires to meet up with its short term financial obligations	105	4.66	.477
Cash management consists of taking the necessary actions to maintain adequate levels of cash to meet operational and capital requirements and to obtain the maximum yield on short term investments	105	4.47	.797
Cash management is an important aspect of financial management	105	4.25	.875
We have understood and implemented the concept of efficient cash management business success that will be achieved	105	4.37	1.179

From the results, most of the respondents strongly agreed that cash management helped the organization in planning and controlling of the business having mean of 4.61 and standard deviation of 0.490. Cash management is fundamental to every business that desires to meet up with its short term financial obligations. Majority of the respondents strongly agreed with the opinion with a mean score of 4.66 and standard deviation of 0.477. The results replicated that cash management play a crucial part in any given business growth where the entrepreneurs have to understand the business financial dynamics. Majority of the respondents agreed that cash management consists of taking the necessary actions to maintain adequate levels of cash to meet operational and capital requirements and to obtain the maximum yield on short term investments having a mean of 4.47 and standard deviation of 0.797. Respondents agreed that cash management is an important aspect of financial management with mean of 4.25 and standard deviation of 0.875.

Growth of Start-Up SMES Business

The study sought to determine the effect of growth of start-up SMES business on the four independent variables. The findings were as presented in Table 5.

Table 5: Growth of Start-Up SMES Business

	N	Mean	Std. Deviation
The return on investment for the business for the last five years was above ratio of 2.1	105	4.26	.605
The profitability for the business for last five years was above 2.5m	105	4.65	.588
Customers preferences and business dynamics in the market has led to changes in net worth	105	4.33	.755
We have established better financial strategies to achieve growth of business	105	4.67	.566
We have understood and implemented the concept of efficient cash management systems	105	4.54	.605

Majority of the respondents strongly agreed that they had understood and implemented the concept of efficient cash management having mean score of 4.54 and standard deviation of 0.605 implication of high response rate. Respondents strongly agreed that they had established better financial strategies to achieve growth of business having mean score of 4.67 and standard deviation of 0.566. The results implicated that better financial strategies in place would help the start-up businesses to utilize and invest in better mechanisms of financial issues. Respondents agreed that customer's preferences and business dynamics in the market had led to changes in net worth with mean score of 4.33 and standard deviation of 0.755 implying higher response rate. Most of the respondents strongly agreed that the profitability for the business for last five years was above 2.5m with mean of 4.65 and standard deviation of 0.588. Respondents agreed that the return on investment for the business for the last five years was above 2.1 having mean score of 4.26 and standard deviation of 0.605.

Table 6: Correlation analysis

		Financial Planning	Debt Management	Financial Reporting	Cash Management	Growth
Financial Planning	Pearson Correlation	1				
	Sig. (2-tailed)					
	N	105				
Debt Management	Pearson Correlation	.572**	1			
	Sig. (2-tailed)	.000				
	N	105	105			
Financial Reporting	Pearson Correlation	.688**	.783**	1		
	Sig. (2-tailed)	.000	.000			
	N	105	105	105		
Cash Management	Pearson Correlation	.768**	.737**	.634**	1	
	Sig. (2-tailed)	.000	.000	.000		
	N	105	105	105	105	
Growth	Pearson Correlation	.610**	.738**	.694**	.570**	1
	Sig. (2-tailed)	.000	.001	.000	.000	
	N	105	105	105	105	105

**. Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

The correction was used to test the relationship between the variables. The correlation between debt management and financial planning indicated that there is significant correlation between the variables with coefficient correlation of .572. The correlation between financial reporting and financial planning indicates that there is significant correlation between the variables with coefficient correlation of .688. The correlation between financial reporting and debt management, indicated that there is significant correlation between the variables with coefficient correlation of .783. The correlation between cash management and financial planning indicated that there is significant correlation between the variables with coefficient correlation of .768. The correlation between cash management and debt management indicated that there is significant correlation between the variables with coefficient correlation of .737. The correlation between cash management and financial reporting, indicates that there is significant correlation between the variables with coefficient correlation of .634. The correlation between growth of start-ups business and independent variables , indicates that there is significant correlation between the variables with coefficient correlation of 0.610, 0.738, 0.694 and 0.570 respectively. Therefore the results concluded that there is strong relationship and positive significant level between growth of start-ups business and independent variables (financial planning, debt management, financial reporting and cash management).

Table 7: Overall Model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.770[a]	.594	.563	1.714

a. Predictors: (Constant), Cash Management, Financial Reporting, Debt Management, Financial Planning

From table 7, coefficient of determination (R^2) was 0.594 which meant that the four independent variables that were studied explain 59.4% variation in growth of start-ups businesses in Mombasa County. This therefore meant that other factors not studied in this research contributed to 40.6% of financial literacy influencing growth of start-ups business in Mombasa County. The study found that the correlation coefficient was 0.770 thus there was a strong positive correlation between the financial literacy and growth of starts-up businesses in Mombasa.

Table 8: Model Validity

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	231.821	4	57.955	36.52	.000[b]
	Residual	158.722	100	1.587		
	Total	390.543	104			

a. Dependent Variable: Growth

b. Predictors: (Constant), Cash Management, Financial Reporting, Debt Management, Financial Planning

From table 8, the significance value in testing the reliability of the model for the relationship between financial literacy and growth of starts-up was obtained as 0.00 which was less than 0.05, the critical value at 95% significance level. This indicated that regression model is statistically significant in predicting the relationship between the study variables. The F value calculated was 36.52 indicating a significant model for the relationship as given by the regression coefficients.

Table 9: Overall Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.512	1.035		3.393	.000
	Financial planning	.337	.122	.655	2.762	.000
	Debt management	.259	.101	.344	2.564	.003
	Financial reporting	.106	.043	.177	2.465	.017
	Cash management	.219	.105	.408	2.085	.021

a. Dependent Variable: Growth

The regression equation was:

$Y = 3.512 + 0.337X_1 + 0.259X_2 + 0.106X_3 + 0.219X_4$

The regression equation above established that taking all factors into account constant at zero, growth of starts-up businesses in Mombasa would be 3.512. The findings presented also showed that taking all other independent variables at zero, a unit increase in financial planning would lead to a 0.337 increase in starts-up businesses growth; a unit increase in debt management would lead to a 0.259 increase in starts-up businesses growth; a unit increase in financial reporting would lead to a 0.106 increase in growth of starts-up businesses and a unit increase in cash management would lead

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to 0.219 increase in growth of starts-up businesses.. From the table it can be noted that the predictor variables of all independent variables got variable coefficients statistically significant since their p-values are less than the common alpha level of 0.05.

Hypotheses Results

H_{01}: Financial planning has no significant influence on growth of start-up business in Mombasa County.

In relation to the variable financial planning, the results showed that financial planning has a significant influence on growth. The study rejected the null hypothesis that there is no significant influence of financial planning on growth of starts-up businesses in Mombasa County.

Ho_2: Debt management has no significant influence on growth of start-up business in Mombasa County.

The calculated p-value was equal 0.03, which was less than the level of significance 0.05 hence the null hypothesis was rejected. It was concluded that debt management has significant influence on growth of start-up business in Mombasa County.

Ho_3: Financial reporting has no significant influence on growth of start-up business in Mombasa County.

The calculated p-value was equal 0.017, which was less than the level of significance 0.05 hence the null hypothesis was rejected. It was concluded that financial reporting has significant influence on growth of start-up business in Mombasa County.

Ho_4: Cash management has no significant influence on growth of start-up business in Mombasa County.

The calculated p-value was equal 0.021, which was less than the level of significance 0.05 hence the null hypothesis was rejected. It was concluded that cash management has significant influence on growth of start-up business in Mombasa County.

CONCLUSION AND RECOMMENDATIONS

The study concluded that financial planning is very crucial when it comes to technical information for the projection of the business financial information and sales forecasting plays a significant part in any given business. In most cases the entrepreneurs rely on diverse source of information which helps them in projection of the financial information and avenues they should be able to articulate. Determining the financial position of a starts-up helps in financial planning and information availability of financial information leads to proper planning for the growth of start-ups SMES business.

The study concluded that risk of bad debts may lead to collapse of the business implying that business owners have to put in place avenues that may control bad debts in their business. A business having more credit sales may lead to debt challenges and bad debts significantly influence the overhead expenses. The starts-up businesses have proper cash payment avenues in place which leads to higher returns and have established proper debt management system that leads to high returns.

The study concluded that record keeping is an important accounting process that involves recording of all business transactions for sustaining and expanding a business which applies to growth of starts up businesses. The study concluded that financial reporting literacy helps to better financial decisions with fewer management mistakes than their counterparts who are financially illiterate. Therefore the results implied that government should be able to put in place mechanisms that will help financial reporting of business.

The study concluded that efficient cash management involves the determination of the most favorable cash to hold by considering the trade-off between the opportunity cost of holding too much cash and the trading cost of holding too little. Cash management is fundamental to every business that desires to meet up with its short-term financial obligations. Therefore, cash management consists of taking the necessary actions to maintain adequate levels of cash to meet operational and capital requirements and to obtain the maximum yield on short-term investments. The study also concluded that cash management has huge influence on growth of starts-up SMES business.

Considering the fact that majority of start-up SMEs are in informal sector scored poorly in growth and financial literacy, the Government needs to ensure that all start-up SMEs have the basic financial literacy. This is very important owing to the fact that, start-up SMEs plays a paramount role in Kenyan economy and growth in this sector means growth in economy.

Financial literate start-up SMES demonstrated high level of formal education which emphasis the importance of business education taught in our learning institutions. However, there is need for more capacity building in areas of debt management, financial planning and financial reporting in order to stimulate growth.

The study further recommended financial institutions such as MFIs to educate start-up SMEs in informal sector the basic financial concepts in order to boost their growth and enable them to expand their business. Financial institutions can play a very important role in financial literacy due their frequent interactions with start-up SMEs in financial matters.

The study recommended that awareness be created to the start-up SMEs on the importance of participating in financial literacy training program to quip the staff with financial literacy skills.

The study also recommended that stakeholders providing financial literacy in Kenya should consider adding ICT as one of the critical components of the training as this opens more doors to source for raw materials at fair prices. Through technology, businesses can get greater access to markets for their finished products as well as to new and cheap technology for use in production through the use of the internet.

Suggestions for Further Research

Further, it recommended that research work should be undertaken to look at how financial literacy influence start-up SMEs' in other parts of the country for comparison purposes. This study also suggested other studies to focus on other aspects of like investments and risk taking and how they influence growth of start-up SMES business across the country.

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